

## Regulations Applicable to Contract Markets or Clearing Organizations

The following chart lists and describes the Commission's regulations that are applicable to contract markets or clearing organizations. These provisions generally specify actions that contract markets or clearing organizations are required to take. Regulations with a single asterisk, however, are provisions which specify actions that contract markets or clearing organizations may take. Regulations with a double asterisk are provisions which require a contract market or clearing organization to have a certain specified rule or rules approved by the Commission and placed in its rulebook. The third column lists the By-Law or Rule of, or action taken by, CFFE or CCC that satisfies the regulation. Where appropriate, the third column also indicates: (1) any NYCE provisions that are incorporated by reference in CFFE's rules, and (2) the current NYCE, NYFE or CANYCE provision from which the proposed CFFE provision was derived.<sup>1</sup>

<u>Regulation</u>	<u>Description</u>	<u>CFFE Provision</u>
<u>Part 1 - General Regulations</u>		
1.20(a)	Clearing organizations must segregate customer funds in a separate account which identifies them as such. No customer funds may be obligated to the clearing organization except to purchase commodity futures or option contracts of customers.	CFFE Rule 710 requires each Clearing Member who is an FCM to notify CFFE if they fail to maintain segregated funds as generally required by the Commission. (Provision is substantially identical to NYCE Rule 710.)
1.20(b)	All customer funds and accruals shall be separately accounted for and segregated as belonging to such customers and deposited under an account name which clearly shows they are customer funds. The clearing organization must retain in	CFFE Rule 710 (See CFFE provision for Regulation 1.20(a))

<sup>1</sup> CFFE has modeled many of its provisions after counterpart provisions in the rulebooks of NYCE and NYCE's wholly-owned subsidiaries – NYFE and CANYCE.

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	its files an acknowledgment that the depository was informed of the status of the funds.	
1.25	No clearing organization shall invest customer funds except in obligations of the U.S., in general obligations of any state or political subdivision, or in obligations fully guaranteed by the U.S. Such investments shall be made through accounts used for the deposit of customer funds with proceeds from any sale redeposited.	CFFE Rule 710 (See Regulation 1.20(a))
1.26(a)	Each clearing organization shall allow inspection of obligations belonging to customers at any reasonable time by representatives of the Commission.	CFFE Rule 710 (See Regulation 1.20(a))
1.26(b)	Each clearing organization which invests customer money in obligations set forth in Regulation 1.25 must separately account for and segregate them as belonging to customers. The account name must show they belong to customers and the clearing organization must retain an acknowledgment form from depository in its files.	CFFE Rule 710 (See Regulation 1.20(a))
1.27(a)	Each clearing organization which invests customer funds shall keep records showing date of investment, name of investor, amount, description, depositories, date of liquidation and amount received, and name of recipient.	CFFE Rule 710 (See Regulation 1.20(a))
1.27(b)	Each clearing organization which received documents representing investment of customer funds must keep a record showing for each separate clearing member: date of receipt of document, a description, details of disposition.	CFFE Rule 710 (See Regulation 1.20(a))
1.29	Clearing organizations may receive interest resulting from investments described in Regulation 1.25.	CFFE Rule 710 (See Regulation 1.20(a))
1.35(a-1)(2)(iii)*	Each contract market may adopt rules that provide alternative requirements to those of Regulation 1.35(a-1)(2)(ii) concerning the recording by a member on the floor of a contract market of an order received from another member present on the floor. These rules must require recording of term and timing data and submission of records.	CFFE has submitted no proposed Rules which provide alternatives to Regulation 1.35(a-1)(2)(ii) requirements.
1.35(a-1)(3)(i)*	Contract markets may have rules (approved by the Commission) which provide for exemption for members from recordkeeping and other requirements of Regulation 1.35(a-1)(2)(ii) with respect to orders placed by a member on the floor of a contract market with another floor member for individual legs of spread transactions where one or more legs have been executed personally by the member placing the order.	CFFE has submitted no rules exempting floor broker members from recordkeeping requirements of Regulation 1.35(a-1)(2)(ii).
1.35(a-1)(3)(ii)	Each contract market must conduct surveillance for compliance with recordkeeping and other requirements of Regulation 1.35(a-1)(2) and (3), and for trading abuses related to the execution of orders for members present on the	NYCE's proposed audit trail review, trade surveillance, and physical surveillance procedures would reveal violations of various trading abuses as

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	floor of the contract market.	well as violations of Regulation 1.35(a-1)(2) and (3).
1.35(a-2)(3)**	Each contract market must adopt rules which require its members to provide documentation of cash transactions underlying EFPs upon request.	CFFE Rule 305(c) would require Clearing Members to an EFP transaction to obtain from customers and to produce documentation of the underlying cash transaction upon request.
1.35(e)**	Each contract market or clearing house must maintain a single record which shows for each trade: the date, time, quantity, underlying commodity or future, price, delivery month, expiration date, put or call, strike price, floor broker or trader buying and selling, clearing member buying and selling, and customer type indicators which indicate particular trader information. This information should also show any transaction made non-competitively in accordance with rules which have been approved by the Commission.	CFFE's trading system would automatically record and time to the nearest second the entry of all required information for each trade. The system would accept no order for execution without input of complete terms and identification of each CFFE Trader and TO involved in its placement. The System would require the input of a discreet account identifier before it could transmit executed trade data to CCC for clearing. CFFE Rule 305(b) would require all EFP transactions to be identified as such when entered for clearing.
1.35(f)	Each contract market must provide for the identification of floor brokers, traders, and clearing members in records required to be kept by use of a distinctive, non-variable designation for each.	Each CFFE Trader, CM, account, and TO would be individually identified in the record of every executed transaction on the trading system.
1.35(g)	The actual time of execution of each side of a transaction must be obtained, or, if a contract market identifies and records the time of a transaction, a single actual time of execution for both sides of the transaction may be obtained. (Actual times of execution must be stated in increments of no more than one minute in length.) If a contract market submits rules to the Commission defining opening and closing time periods, it may use them for trades occurring during those times.	CFFE's system would automatically record the actual time of execution of each transaction, as well as the time of each bid or offer, in increments of one second. CFFE Rule 301 would provide for times of trading including opening and closing periods consisting of the first and last second, respectively, of the stated opening and closing minutes. (Provision is substantially identical to NYCE Rule 301.)
1.35(h)	Each contract market must establish and maintain a record of all changes in the price to the nearest ten seconds of transactions executed on the floor.	The CFFE system would automatically record all changes in the prices of futures transactions to the nearest second. This record would include the time and price of each trade and each bid and offer.
1.35(i)	Each contract market must use in its rule enforcement program the information obtained in Regulation 1.35(e) to	CFFE has represented that NYCE's compliance staff would regularly

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reconstruct rapidly and accurately transactions executed on or subject to the rules of the exchange. Each must submit reports to the Commission concerning the accuracy of all information recorded under Regulation 1.35(e) and its use in its rule enforcement program.

review the records created pursuant to Regulation 1.35(e) and compare representative sample transactions with the underlying trade documentation prepared by CFFE Traders and with the recorded telephonic transmissions of instructions to TOs, to ensure the accuracy and consistency of these records.

1.35(j)\*\*

Each contract market must have rules which require trading records prepared by members under 1.35(a-1), and (d), (order tickets and trading cards, respectively) be submitted within 15 minutes of designated intervals starting with the start of each trading session. Collected cards must be time stamped to the nearest minute. Each contract market must designate as opening and closing periods those periods upon which the opening and closing trading ranges are based for each of its markets. Such rules need not require submission of those records which cannot be relied upon for clearing purposes.

This rule is inapplicable to CFFE. Trading cards would not be used by CFFE Traders. Complete trade data which would otherwise be recorded on trading cards would be generated and recorded electronically by the trading system contemporaneously with the placement of each order and the execution of each trade. This being the case, neither trading cards nor order tickets would be the original record of any transactions on CFFE and no rule mandating their collection would be necessary.

1.35(l)\*

A contract market which can demonstrate that it currently has available hand-held terminals or such other automated means for the recordation of trades which can eliminate the opportunity for improper alteration or fabrication of trading records may petition the Commission for an exemption from various sub-paragraphs of Regulation 1.35(a-1).

It would be not possible for members to fabricate records of trades occurring on CFFE's trading system or to alter such records without leaving permanent record of the change and of the original data that was replaced. Parts of Regulation 1.35 pertaining to preparation of trading cards would therefore not be applicable to the system. Those Regulation 1.35 requirements regarding preparation of order tickets would be relevant to CFFE trading as no unalterable electronic equivalent is anticipated for use by CFFE Traders who execute customer orders on CFFE.

1.38(a)

All futures and options transactions executed on a contract market must be done openly and competitively during prescribed hours. This does not apply to transactions executed noncompetitively in accordance with written rules of the contract market approved by the Commission and specifically providing for these transactions.

Orders would have to be entered into the trading system which would match them according to its trade-matching algorithm. CFFE Traders would not have control over nor would they know the identity of an opposite party to a trade. While it would not be possible to ensure the execution of a prearranged trade, it could be possible for CFFE Traders to collaborate in placing orders at such times to

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		increase the likelihood of execution opposite one another. To prevent such conduct, CFFE Rule 311(b) would prohibit Traders from prearranged trading. (Traders also could be charged under this provision if their ATs prearranged trades in such a manner.) (Provision is substantially identical to NYCE Rule 306.)
1.39(a)**	No member of a contract market may execute crossed orders except in conformity with rules of the contract market which have been approved by the Commission. Each contract market must keep a record of each cross transaction.	It would not be possible for a CFFE Trader to ensure execution of orders in his or her possession opposite another Trader. Orders must be individually entered into the trading system which would match them according to its trade-matching algorithm.
1.39(b)**	Crossed transactions may be executed in compliance with large order execution procedures if established by written rules of a contract market which have been approved by the Commission. If the procedures do not meet the requirements of Regulation 1.39(a), the contract market may be granted an exemption if it petitions.	CFFE has not submitted rules establishing procedures for large order execution or for crossing of orders.
1.41(f)*	By a two-thirds vote of its governing board, a contract market may place into immediate effect a temporary emergency rule for 30 days to deal with an emergency (as defined) without prior Commission review or approval and must follow the subsequent procedures set forth in the regulation, including Commission notification containing specified information.	CFFE Rule 36(c), (e) and (f) (Provision is substantially identical to NYFE Rule 60.)
1.41(g)*	In the event of a "physical emergency," a contract market official may take action pursuant to a rule that has been approved by the Commission or has become effective without prior approval. Suspension of trading may not continue more than five days except where the Commission has granted an extension of time. A contract market must notify T&M of implementation, modification, or termination of any physical emergency action as soon as possible.	CFFE Rule 36(h) (Provision is substantially identical to NYFE Rule 60.)
1.45	Each contract market must require that all futures contracts provide for delivery of U.S. standard or other Commission-adopted standard conforming grades of commodities.	CFFE Rule 834 establishes standard grades for delivery under the four contracts to be traded. The maturity of the bonds and various notes are specified and all bonds and notes in a delivery unit are required to be of the same issue.
1.51	Each contract market must use due diligence in maintaining a continuing affirmative action program to secure compliance with the provisions of Sections 5, 5a(a), 5b, 6(b), 6b, 8a(7), 8a(9), and 8c of the Act, the regulations implementing	CFFE has represented that NYCE would regulate CFFE in the manner and to the extent that it regulates NYCE. CFFE has submitted a

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	Section 4c(c) of the Act, and the contract market's own rules it is required by the Act to enforce. This program should include market, trade practice and financial surveillance, and investigation of and discipline for violations of its rules. Each contract market must keep full records of all actions taken as part of the program.	description of NYCE's compliance program as it would be adapted for CFFE trading. That program includes elements specifically tailored to the manner in which trading would take place on CFFE.
1.52(b)**	Each self-regulatory organization ("SRO") must adopt rules prescribing minimum financial and related reporting requirements for all futures commission merchants ("FCM") members. Each contract market having an IB membership category must submit the same types of rules for introducing broker ("IB"). Each SRO must submit all changes to these rules. The requirements must be at least as stringent as those in Regulation 1.10 and 1.17.	CFFE Rule 401 (Provision is substantially identical to NYFE Rule 701.)
1.52(c)*	Any two or more SROs may file for Commission approval a plan for delegating to a designated self-regulatory organization ("DSRO") for any registered FCM or IB which is a member of more than one such SRO, the responsibility of monitoring for compliance with minimum financial and reporting requirements. The Commission would approve if the plan meets certain criteria. Upon approval, an included SRO is deemed to have met requirements of Regulation 1.51. An SRO must notify its members of an approved plan. Each SRO must notify the Commission if any registrant is no longer in good standing.	NYBT would regulate CFFE in the manner and to the extent that it regulates NYFE.
1.53	Each contract market must enforce each of its rules that relates to trading requirements.	CFFE has represented that NYCE would regulate CFFE in the manner and to the extent that it regulates NYCE.
1.59(b)**	Each contract market must adopt rules that prohibit its employees from trading in any commodity interest where the employee has access to material nonpublic information concerning the commodity interest, from disclosing to any person (other than to a proper authority for regulatory or other proper purposes) any material nonpublic information obtained as an employee which could reasonably be expected to assist in trading. Each contract market may have rules which must be approved by the Commission which set forth circumstances under which exemptions from the employee trading prohibition may be granted.	CFFE Rule 712 (Provision is substantially identical to NYFE Rule 712.)
1.59(c)**	Each contract market must adopt rules which have been submitted to the Commission which provide that no member of the governing board or a committee may use or disclose material non-public information obtained as a result of board or committee participation.	CFFE Rule 713 (Provision is substantially identical to NYFE Rule 713.)
1.60	Each contract market must, upon request, submit to the Commission copies of the complaint, decision, and notice of appeal concerning any pending legal proceedings. Each	CFFE Rule 500 incorporates by reference NYCE Rule 10.19 which provides that investigation and

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contract market also must submit copies of the same for any pending legal proceeding against an official alleging violation of commodity laws, contract market rules, or state law governing the organization.

disciplinary proceeding information may be shared with appropriate regulatory organizations.

1.61(a)\*\*

Each contract market must, for each separate type of contract for which delivery months are listed to trade, adopt rules which limit the maximum net long and net short position which any one person may hold. This does not apply to a contract market for which position limits are set under Part 150 Regulations. Each contract market must demonstrate that it has complied with the purpose and standards of the regulation and must describe its method of surveillance and enforcement with respect to its futures position limit rules. Each contract market must file with the Commission upon its request a written statement justifying the existing level of futures position limits.

CFFE Rules 200, 201 and 202 provide for the establishment of position limits according to the CFFE Rules comprising the subchapter regarding each contract.

CFFE has submitted rules establishing position accountability provisions (CFFE Rule 827) in lieu of position limits for its proposed five-year, ten-year and thirty-year futures contracts based on the liquidity of the underlying cash market (See EA memorandum). CFFE Rule 827-A provides for position limits for the two-year note futures contract

1.61(b)\*\*

Each contract market which trades option contracts must adopt a rule which limits the maximum net long option positions and net short option positions which any one person may hold or control. Each contract market must demonstrate that it has complied with the purpose and standards of the regulation and must describe its method of surveillance and enforcement with respect to its options position limit rules. Each contract market must file with the Commission upon its request a written statement justifying the existing level of options position limits.

CFFE has not submitted any proposed option contracts with its application for contract market designation.

1.62\*\*

Each contract market must adopt rules which prohibit any person in or surrounding a trading pit from buying or selling for another any contract unless such person is registered as a floor broker or from buying or selling for their own account any contract unless registered as a floor trader. The rules must provide that a broker or trader may not act as such during any suspension of registration or floor access. Each contract market must have rules which provide for requests for withdrawal of broker or traders, training, and review of registration information. Each contract market must notify the Commission of any fact regarding any broker or trader which is set forth as a statutory disqualification or cause for termination of floor trading privileges.

CFFE has represented that all of its employees involved in the entry of orders into the trading system (TOs) would act in a strictly clerical capacity, but would nevertheless be registered as floor brokers. Any CFFE Trader who executes customer orders would be required to register in the appropriate manner.

1.63\*\*

Each contract market must adopt rules that prevent a person from serving on its governing board and various committed if, within the last three years they were found to have committed a "disciplinary offense." Each contract market must submit a schedule of all violations which are disciplinary offenses.

CFFE Rule 501 (Provision is substantially identical to NYCE Rule 9.00.)

<u>Regulation</u>	<u>Description</u>	<u>CFFE Provision</u>
1.64(b)**	Each contract market must adopt rules that require that 20% or more of the regular voting members of its governing board are persons who are knowledgeable of futures trading and, are not members or employees of the contract market. The board must also represent a diversity of the interests at the SRO.	CFFE By-Law Section 1 and Rule 35(b) (Provision is substantially identical to CANYCE Section 1 and NYFE Rule 51.)
1.64(c)**	Each contract market must adopt rules that require that at least one member of each major disciplinary committee is not a member of the contract market when the committee is acting with respect to certain matters, and that, for contract markets, more than 50% of each major disciplinary committee includes persons representing membership interests other than that of the respondent.	CFFE Rule 35(c) and (d) (Provision is substantially identical to NYFE Rule 51.)

## Part 5, Appendix Guideline No.1

See EA Memorandum

## Part 8 - Exchange Disciplinary Procedures

(CFFE Rule 500 incorporates by reference NYCE Rules 9.01 – 9.05, 9.07 – 9.13, 10.01 – 10.20, and 10.22-10.24 regarding disciplinary procedures.)

8.05	Each contract market must have an enforcement staff of non-members to conduct investigations, prepare reports and prosecute possible rule violations.	NYCE Rule 10.04
8.06	Each contract market must have a disciplinary procedure which requires the enforcement staff to conduct investigations of possible rule violations upon request of the Commission or the discovery of information which indicates a basis for a violation.	CFFE has represented that NYCE compliance staff would regulate CFFE in the same manner in which it regulates itself and its other subsidiaries. This includes investigation of referrals from the Commission and other sources as well as possible violations discovered through routine surveillance.
8.07	The enforcement staff must submit a report to the disciplinary committee when it determines that a basis exists for finding a violation.	NYCE Rule 10.04(b)
8.08	Each contract market must establish one or more disciplinary committees to determine whether violations have been committed, accept settlement offers and impose penalties. No person on the enforcement staff may serve on the disciplinary committee.	NYCE Rule 10.05
8.09	Disciplinary committees must promptly review each investigation report and request further investigation if needed. They must then determine to have a notice of charges served or direct that no further action be taken.	NYCE Rule 10.06



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8.10*	A contract market may adopt rules which set specific predetermined maximum penalties for particular violations.	NYCE Rule 9.11 sets maximum penalties for violation of Summary Action Rules (Rule 9.08 – 9.13) which concern trading decorum, timeliness and accuracy of reports, and imposition of fines.
8.11*	Any notice of charges must contain certain information. Contract market rules may provide that failure to request a hearing within the period prescribed in the notice would be a waiver of the right to a hearing and that failure in an answer to deny a charge would be an admission of the charge.	NYCE Rule 10.07.
8.13**	Contract market rules may provide that the answer must be in writing and have a statement of admission, denial, or lack of sufficient information. The rules may provide that failure to file an answer in time may be an admission of allegations and failure to deny a charge may be an admission of the charge.	NYCE Rule 10.09
8.14*	Contract market rules may provide that if the respondent admits or fails to deny any of the charges, the disciplinary committee may find that the rule violation alleged in the notice of charges has been committed. The disciplinary committee may impose a penalty (no greater than the predetermined penalty, if any). The committee must notify the respondent of the penalty, and notify him that he may request a hearing (unless a predetermined penalty was imposed). The rules may provide that if a respondent fails to request a hearing he would be deemed to have accepted the penalty.	NYCE Rule 10.10
8.15**	Contract market rules may provide that the hearing would be concerned only with those charges denied and/or penalties (other than predetermined) set by the committee.	NYCE Rule 10.11
8.16*	Contract market rules of an exchange may permit a respondent to submit a settlement offer after the investigation report is completed. This may be accepted but not altered without agreement of the respondent. The rules may permit the respondent to accept a penalty without admitting or denying the underlying rule violations. If a settlement offer is accepted by the committee, it must issue a decision.	NYCE Rule 10.16
8.17**	Disciplinary hearings must be held in accordance with certain minimum procedural requirements. Contract market rules may provide that transcription costs be borne by respondent in certain instances. The rules may provide that a penalty may be summarily imposed on any person within its jurisdiction whose action impede hearing progress.	NYCE Rule 10.12
8.18**	Promptly following a hearing the disciplinary committee must render a written decision containing certain information.	NYCE Rule 10.13

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8.19*	Contract market rules may permit a respondent to appeal an adverse decision in all or in certain classes of cases.	CFFE has submitted no provisions for appeal of Disciplinary Committee decisions. Only summary actions such as floor committee fines and membership responsibility actions are appealable in accordance with NYCE Rules 9.11 and 10.23, respectively.
8.20**	Each contract market must adopt rules setting forth when a decision becomes final.	NYCE Rule 10.15
8.25	A contract market may suspend or take other summary action against a person upon a reasonable belief that immediate action is necessary to protect the best interests of the marketplace.	CFFE Rule 100 incorporates by reference NYCE's Rules 6.00-6.16, 6.17 and 6.20-6.22. NYCE Rule 6.05 provides that under certain circumstances, the NYCE Membership Committee or the NYCE Supervisory Committee may commence a summary membership responsibility action ("MRA") in accordance with NYCE Rules 10.22 – 10.24, and take summary action to suspend the trading privileges of a member when necessary to protect the interests of the marketplace.
8.26**	An MRA must take place in accordance with contract market procedures which require the respondent to be served with a notice containing various information beforehand, if possible, or at the earliest possible opportunity after action is taken to be given an opportunity for a subsequent hearing, and to be represented by counsel. The contract market must render a decision containing various information. The rules may permit the respondent to appeal an adverse decision. These rules must meet the requirements of Regulation 8.19.	NYCE Rule 6.05 provides that when an MRA is taken against a member, NYCE Rules 10.22. - 10.24 apply.
8.27*	A contract market may adopt rules which permit appropriate persons to impose minor penalties summarily for violations of rules regarding decorum, attire, the timely submission of accurate records required for clearing or verifying each day's transactions, or other similar activities.	NYCE Rule 9.09 permits the NYCE Floor Committee to take summary action for trading decorum and protocol. On CFFE this would encompass such acts as frivolous or disruptive bidding or offering.
8.28**	Each contract market must adopt rules setting forth when an MRA decision is final.	NYCE Rule 10.24 sets the effective dates of committee actions and final decisions in MRAs.

## Part 9 - Review of Exchange Action

9.11	Whenever a contract market decision pursuant to which a disciplinary action or access denial action (other than a summary action) is to be imposed has become final, the	NYCE Rule 10.20
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<u>Regulation</u>	<u>Description</u>	<u>CFFE Provision</u>
	exchange must deliver a certified written notice of the action containing certain information to the respondent and to the Commission.	
9.12	No final disciplinary or access denial action may be made effective by the exchange before fifteen days after delivery of written notice except as provided in this regulation.	NYCE Rule 10.14 provides that when a Disciplinary Committee elects to expel a member, it may do so only with Board approval, and the effective date of such an action is subject to Commission Regulations.
9.13	A contract market must publicize an adverse disciplinary finding as soon as it is effective by posting a notice for five consecutive business days in a conspicuous place to which members and the public have regular access. The notice must include at least the information required by Regulation 9.11(b).	No express provision is required.

## Part 16 - Reports

16.00	Each contract market must submit to the Commission a report for each business day showing specified information about futures and option positions for each clearing member by proprietary and customer account.	CFFE has represented that NYBT would be responsible for all regulatory requirements applicable to CFFE, and all communications with the Commission, the NFA, and all other regulatory agencies with jurisdiction over CFFE.
16.01	Each contract market must publish and provide to the Commission for each business day specified information concerning trading volume, open contracts, and prices of futures and options, and certain additional information.	(See CFFE Provision for Regulation 16.00.)

## Part 155 - Trading Standards

155.2(a-b)**	Each contract market must adopt rules which prohibit floor broker members from trading ahead of customers.	CFFE Rule 311(d) and (e) prohibits trading ahead by CFFE Traders. (Provision is substantially identical to NYFE Rule 306.)
155.2(c)**	Each contract market must adopt rules which prohibit floor broker members from discretionary trading.	CFFE Rule 311(f) (Provision is substantially identical to NYFE Rule 306.)
155.2(d)**	Each contract market must adopt rules which prohibit floor broker members from disclosing customer orders.	CFFE Rule 311(g) applies this standard to all CFFE Traders. (Provision is substantially identical to NYFE Rule 306.)

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155.2(e)**	Each contract market must adopt rules which prohibit floor broker members from taking the opposite side of orders.	CFFE Rule 311(h) applies this standard to all CFFE Traders. (Provision is substantially identical to NYFE Rule 306.)
155.2(f)**	Each contract market must adopt rules which prohibit floor broker members from engaging in prearranged trading.	CFFE Rule 311(b) applies this standard to all CFFE Traders. (Provision is substantially identical to NYFE Rule 306.)
155.2(g)**	Each contract market must adopt rules which prohibit floor broker members from allocating trades among accounts.	CFFE Rule 311(i) applies this standard to all SBTs. (Provision is substantially identical to NYFE Rule 306.)
155.2(h)**	Each contract market must adopt rules which prohibit floor broker members from withholding customer orders.	CFFE Rule 311(c) applies this standard to all SBTs. (Provision is substantially identical to NYFE Rule 306.)
155.2(i)**	Each contract market must adopt rules which require every floor broker member promptly to confirm order execution with the opposite broker or petition for exemption with a rule that would insure that the opposite sides of every trade executed can be effectively matched and would be accepted by a clearing member.	No implementing rule is necessary. The CFFE trading system would automatically match trades according to its trade-matching algorithm. Transaction data would be automatically sent to the CCC for clearing.
155.5**	Each contract market in which the average daily trading volume equals or exceeds 8000 contracts for each of four quarters during the most recent volume year, unless granted an exemption petition by Commission order based on the sufficiency of the contract market's trade monitoring system, must adopt rules that prohibit dual trading (except in accordance with contract market rules submitted to the Commission, which, among other things, offset certain trading errors, execute certain spread orders, or address emergency market conditions).	This rule is currently inapplicable due to the volume levels necessary to trigger the prohibition on dual-trading.

## Part 156 - Broker Associations

156.2(b)**	Each contract market must adopt rules that define the term "broker association" to include certain relationships, prohibit certain described conduct, and require registration of each broker association relationship which must include various information about the broker association relationship.	CFFE Rule 37
156.2(c)*	Each contract market may adopt rules that interpret when members would be deemed to "regularly share a deck of orders." Each contract market may adopt rules which set forth the basis and procedures for granting exemptions from	CFFE has adopted provision that makes this interpretation.

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	the registration requirement for de minimis activity.	
156.3	A contract market must demonstrate effective use of broker association registration information to monitor the trading activity of broker associations and their members for potential abuse and to secure compliance with all other contract market rules which may pertain to broker associations and their members.	NYCE would regulate CFFE in the same manner and to the same extent as it currently regulates NYCE and CSCE.
156.4	Each contract market must make publicly available a list of all registered broker associations which identifies for each association each person who is a member.	NYCE would regulate CFFE in the same manner and to the same extent as it currently regulates NYCE and CSCE.

## Part 180 - Arbitration

(CFFE Rule 600 incorporates by reference NYCE's rules 8.00-8.08, governing arbitration.)

180.2(a)	Every contract market must adopt rules which provide for a fair and equitable procedure through arbitration or otherwise for the settlement of customer's claims and grievances against any member or employee of a member. Customers must be provided with the choice of a panel composed of a majority of persons who are not members. The rules may require the customer to request the mixed panel when he submits his grievance.	NYCE Rule 8.01 and 8.03
180.2(b)	The procedures must grant each of the parties the right to be represented by counsel.	NYCE Rule 8.05(l)
180.2(c)	The procedures must provide for the prompt settlement of grievances with no unreasonable delay.	NYCE Rule 8.04 provides that a claimant must serve notice of intent to arbitrate within two years of the events giving rise to the controversy. NYCE Rule 8.05 provides for procedures and appropriate time limits which must be observed throughout the arbitration process.
180.2(d)	The procedures must require adequate notice to the parties and opportunity for a prompt hearing. Each party may appear personally at the hearing unless the contract market adopts a procedure for the summary hearing of certain claims. Each party must be entitled to examine evidence. A record of the hearing may be required.	NYCE Rule 8.05(m) entitles each party to appear personally to testify and produce evidence, to examine all evidence, and to examine and cross-examine all witnesses. Verbatim records may be created at the request of a party at that party's expense.
180.2(e)	The procedures must provide adequate notice to the parties in advance of a submission of a claim of the amount of costs assessed to customers using the procedure. Fees must be reasonable. The rules must provide that a member which is a party to an arbitration proceeding must generally pay any	NYCE Rule 8.05(b) provides that the Exchange shall provide a claimant with instructions and demand for arbitration forms as well as notice of all fees payable to the Exchange and

<u>Regulation</u>	<u>Description</u>	<u>CFFE Provision</u>
	incremental fees assessed by a forum for provision of a mixed panel.	notice of the panel's power to assess the losing party for any increased costs.
180.2(f)	The procedure must provide that the settlement award must be rendered promptly in writing and be final with no right of appeal except as provided under applicable law.	NYCE Rule 8.05(n) provides that an arbitration panel shall render its award in writing within 30 days of the conclusion of the matter, and that such award shall be final and binding on the parties.
180.2(g)	The procedure must not impose any restrictions on the jurisdiction or venue of any court to enforce an award.	NYCE Rule 8.05(n) provides that judgment on an award of a panel may be entered in any court having jurisdiction.
180.3(a)	The dispute settlement procedures must be voluntary. The procedures must prohibit any agreement by which a customer of an exchange member agrees to submit claims for settlement under those procedures prior to the time when the claim arises, except in accordance with this regulation. The procedures may require parties to agree to be bound by an award rendered in the otherwise voluntary procedures.	NYCE Rule 8.02 provides that any statutory controversy may be settled by arbitration at the customer's election, and that no agreement made prior to the time the controversy arose, under which a customer agreed to submit to settlement by arbitration, shall be enforceable.
180.4	The procedures for customer arbitration may permit the submission of a counterclaim. The procedure may permit a counterclaim where it arises out of the occurrence that is the subject of the customer's claim and it does not require for adjudication the presence of persons over whom the contract market does not have jurisdiction.	NYCE Rule 8.02 provides that during settlement of a statutory controversy, counterclaims may be asserted and settled by arbitration provided they arise out of the transaction which is the subject of the claim, or if they do not arise from the same transaction they may be settled by arbitration with the consent of the customer. NYCE Rule 8.01 defines "controversy" in relevant part as any claim which does not require for adjudication the presence of witnesses or third parties over whom the Exchange does not have jurisdiction.
180.5	The contract market may adopt procedures for compulsory settlement of claims which do not involve customers. The procedures must be independent of the resolution of customer's claims. The procedures must include some procedural safeguards such as customer arbitration procedures, except there does not have to be a mixed panel, and summary hearings may be used for larger dollar claims.	NYCE Rule 8.02 provides for resolution of any non-statutory member controversy by arbitration at the election of either party.

<u>Regulation</u>	<u>Description</u>	<u>CFFE Provision</u>
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Part 190 - Bankruptcy

190.05	Each contract market must adopt rules which permit delivery on a contract which has not become part of the debtor's estate as of the entry of the order of relief, but as to which trading has ceased, notice of delivery has been tendered or trading ceased before it can be liquidated.	CCC Rule 19
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## CFFE RELEVANT ENTITIES

CFFE Traders (holders of CFFE trading privileges)	Entity	Membership Status	CFFE Trading Privileges	Registration Status	Personal / Proprietary Trading	Customer Trading	Employment Status
Screen Based Traders (SBT)	NYCE	Class A - Only such member, has all voting rights.	N/A	N/A	N/A	N/A	N/A
	NYCE / CFFE Clearing Member (CM)	Class B - Must satisfy conditions for clearing members of CCC.	With payment of \$100.	Must be registered. Any category.	Yes	Yes	N/A
	NYCE / CSCE Floor Broker (FB)	Class B	With payment of \$100.	FB	Yes	No	N/A
	NYCE / CSCE Floor Trader (FT)	Class B	With payment of \$100.	FT	Yes	No	N/A
	Futures Commission Merchant (FCM)	May be non-member	If guaranteed by a CFFE clearing member.	FCM	Yes	Yes	N/A
	Introducing Broker (IB)	May be non-member	If guaranteed by a CFFE clearing member.	IB	Yes	Yes	N/A
	Commodity Trading Advisor (CTA)	May be non-member	If guaranteed by a CFFE clearing member.	CTA	Yes	Yes	N/A
	Commodity Pool Operator (CPO)	May be non-member	If guaranteed by a CFFE clearing member.	CPO	Yes	Yes	N/A
	Other	Associate	With payment \$1000 and Guaranteed by a CM.	Only required if trading for customer.	Yes	Yes - If registered.	N/A
	Authorized Trader (AT)	None	None personally, exercises on behalf of employer.	If employed by CM, registration only required for customer trading. If employed by other than CM, must be registered.	Yes (employer's proprietary)	Yes - If registered.	Employee of FCM, IB, CTA or CM.
	Terminal Operator (TO)	None	Deemed to have for registration purpose only.	FB	No	No	Joint Employee of CFFE and Cantor Fitzgerald Securities.